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SUBJECT: AVON POLAND: EXAMPLE OF SUCCESS

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SENSITIVE BUT UNCLASSIFIED

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SUMMARY
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¶1. (SBU) Avon Cosmetics Poland is a proven success story of American investment in Poland. Avon began operations in Poland in 1992 and in 15 years has expanded to include Avon's largest manufacturing facility in the world, 11 representative support centers, and more than 250,000 direct sales representatives. Avon, proud to be "the company for women," has empowered women by offering them a solid career in a changing economy. Econ Counselor and Econ Intern visited Avon's factory at Garwolin, which includes over 100 production lines and 70,000 square meters of warehouse space. Avon plans to continue to grow with the Polish economy and will move its R&D facility from New York to Poland in the near future.

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Background
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¶2. (U) Avon Cosmetics Poland opened in Poland in 1992. Since then it has become the leader in cosmetic sales and other related products in the Polish market. Distribution of Avon products is based on direct sales by Avon Representatives and, since 2001, ordering via the internet. An Avon office in Warsaw handles sales, customer service, finance, and marketing for Poland as well as Central and Eastern Europe. Avon has representative support centers in 11 major cities of Poland.

¶3. (U) In 1997, Avon established a manufacturing plant, Avon Operations Poland, in the city of Garwolin, 50 kilometers from Warsaw. The factory started as a 6600 square meter facility. Now there are more than 100 production lines running 24 hours a day, and approximately 70,000 square meters of warehouse space. In addition to the production and distribution areas, the Garwolin factory contains customs, order assembly space, and a massive warehouse for storage. Avon Operations Poland is one of the largest and most modern cosmetics factories in Europe. It is also the largest Avon facility of the 16 Avon plants located around the world.

¶4. (U) In 2002, Avon developed a center for Avon representatives where they are able to pick up products instead of waiting for an order. Additionally, in 2004, a regional testing center was established.

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Production

15. (U) Avon Operations Poland produces 400 million tons of cosmetics annually at the Garwolin factory. Each Avon factory produces different products, giving them the advantage to specialize and exchange with each other. Avon Operations Poland manufactures 1000 different products, specializing in skin care, color cosmetics and beauty cosmetics. Avon Poland's output is 60-70 percent higher than any other Avon factory. During the busiest seasons, like Christmas, Avon Poland operates all of its 100 production lines 24 hours a day.

Export

16. (U) The Garwolin facility has become the largest exporter of cosmetics in Poland, exporting to more than 50 countries around the world. Out of the goods that Avon Operations produces, only 12-15 percent enters the Polish market, while the remainder is exported. Because of this, the facility also has the largest postal service in Poland which makes it is easy to accommodate the 10 million clients they serve.

Employment

17. (U) Avon Operations employs around 3500-4500 people in its factory, depending on the season, and Avon's Warsaw office employs an additional 1500. Avon Operations is the leading employer in Garwolin, reducing the local unemployment rate from 30 to 6 percent. Due to the constant expansion, and high employee turnover rate, the Avon facility recently started looking for labor outside of Garwolin. About 8 percent of factory workers are engineers, while 90 percent of employees in the Avon's Warsaw office are engineers or finished some higher education. In addition to Avon factory and office employees, there are more than 250,000 self-employed representatives selling Avon products in Poland.

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Empowering Women

18. (U) Avon Cosmetics Polska is a self proclaimed "company for women," having worked to make its name synonymous with women and female empowerment. As one of the largest cosmetic companies in Poland, Avon gives Polish women a chance for professional employment in a country where such involvement in the workforce is not encouraged.

19. (U) Avon Cosmetics Polska is heavily involved in women's initiatives; its largest campaign for women is "The Great Campaign for Life." It focuses on raising awareness and funds for breast cancer. Since the program was launched in 1998, "The Great Campaign for Life" has raised over PLN 7 million (\$2.5 million) to fight breast cancer.

110. (U) In 2000 a contest titled "Women of Enterprise" was introduced. The contest was aimed at supporting women in the professional working environment in Poland, and the idea was to reward a woman that runs her own company. Although originally a Polish campaign, it is now supported by the EU. Much of the funding that Avon receives for these projects are from products that are sold without commission, charity balls, and or festivals "Open Days" that focus on raising awareness of breast cancer.

Future Expansion

111. (SBU) Ever since Avon's beginning in 1992, Avon Poland has been growing at a significant rate. Avon plans to move the Avon laboratory, currently in New York, to Poland. The work of the laboratory will include research and development and the invention of new products.

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